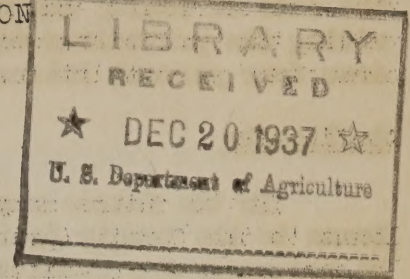


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

1937-38 Corn Loan Program.

Instructions for Committeemen

Introduction

The 1937-38 Corn Loan Program is the first of several corn loan programs to be conducted in cooperation with the service facilities made available by the County Agricultural Conservation Committees of the Agricultural Adjustment Administration. This change in administrative policy has been designed to enable applicants for loans and participants in the program to look to a federally sponsored local organization for service, and to emphasize the fact that corn loans are but one part of the national program for agriculture. It is important, therefore, that all committeemen serving in this important work acquaint themselves with the various phases of the program so that they may be able to render such service as will surpass the record established in connection with previous corn loan programs.

History of Corn Loans

In 1926 the State of Iowa enacted legislation permitting the sealing of grain in storage structures on farms and the issuance of warehouse certificates in the nature of negotiable instruments respecting such cribs. Other States followed by enacting similar laws, but none of these laws were widely used until late in the fall of 1933 when the first Federal Corn Loan Program was inaugurated. This first program was made possible through the creation of the Commodity Credit Corporation, a Delaware Corporation organized by the Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Chairman of the Reconstruction Finance Corporation. The funds for subscribing to the original capital stock of this corporation were made available by the President by Executive Order, out of funds appropriated as a part of the National Recovery Act.

The first corn loan was made at a rate of 45¢ per bushel, and was announced at a time when the farm price of corn varied from 27¢ to 35¢ per bushel in the Corn Belt. Each year since its inception a corn loan program has been made available to farmers (last year's program was designed as a seed corn conservation measure), and each of these programs has been conducted and liquidated in such a manner as to establish them among the most successful of Government financial operations.

The 1937-38 Corn Loan Program.

The 1937-38 Corn Loan Program follows closely the same general lines of previous programs; however, there have been several important features added to it and several changes for ascertaining eligibility for participation, and in administering the plan this year.

The loan rate in this program is _____ cents per bushel. Loans are to become available to eligible producers on December 1, 1937 and will continue

available until April 1, 1938. All notes are to be made payable eight months after the date of making and may be renewed for an additional ten months' period providing the provisions mentioned in the loan agreement are complied with. Loans draw four percent interest.

Applicants

In the future many farmers will first make application for Federal corn loans to the County Agricultural Conservation Committees. It will, therefore, be necessary for committeemen and the employees of the county office to explain the program to such applicants and make a preliminary determination as to the eligibility of the producer for a loan and the eligibility of his corn as collateral for a loan. Paragraphs 2 and 3(b) of the Loan Agreement (1937-38 CCC Corn Form A, hereinafter referred to as the Loan Agreement), and Paragraph 1 of the Instructions Concerning the Making of Loans (1937-38 CCC Corn Form 1, hereinafter referred to as Corn Form 1), refer to eligibility and should be understood thoroughly before any determinations relating to eligibility are made. Before the producer is advised concerning the sealing of his corn, a preliminary determination should be made to ascertain his eligibility for a Federal corn loan. In making preliminary determinations, the committeemen should question the applicant concerning the storage structure containing the corn in order to ascertain its eligibility. A careful study of the Instructions for Preparation of Corn Sealer's Work Sheet, 1937-38 CCC Corn Form 2, will enable the committeemen to make the preliminary determination as to storage structures. The producer should be questioned also as to the location of his farm so that it may be ascertained that the producer is participating in the Agricultural Conservation Program. The process for determining this requirement is outlined under the heading - Eligibility.

It should be ascertained also whether the corn was produced by the producer or acquired by him. If it was acquired by the producer, the name of the person from whom it was acquired will be necessary in order to determine if the corn is eligible as collateral to a loan. This requirement is discussed also under eligibility.

It is recommended that these preliminary determinations be made thorough enough so that the obvious cases of ineligibility are eliminated before the producer is asked to go to any trouble or expense in connection with preparing the crib or sealing it.

After making the preliminary determinations as to the eligibility of the producer for a loan, the county committee or the applicant should immediately notify the authorized State sealer serving the area where the applicant's corn is located, of the applicant's desire to have his crib or cribs sealed. County committees will work in close cooperation with county warehouse boards or county warehouse inspectors so that every phase of the loan program work will be expedited.

Sealer's Work Sheet

The sealer will proceed with his work in accordance with the instructions issued by the State Warehouse Supervisory Authority and Instructions for Preparation of Corn Sealer's Work Sheet (1937-38 CCC Corn Form 2, hereinafter referred to as Corn Form 2). The County Committee will furnish to authorized State sealers supplies of Sealer's Work Sheets (1937-38 CCC Corn Form K, and hereinafter referred to as Sealer's Work Sheet and Supplies of Moisture Test

Form (1937-38 CCC Corn Form H, hereinafter referred to as Moisture Form), and the franked and addressed moisture proof bags used to ship representative samples of corn to the State Agricultural Conservation offices.

Eligibility

On receipt from the sealer of the completed Corn Sealer's Work Sheets, a filing folder should be prepared for each work sheet. This filing folder will be used as the file for copies of other loan material subsequently prepared or received. Within a day or two after receipt of the work sheet, there will be received from the State Agricultural Conservation Committee the completed Moisture Test Form, reporting the moisture content of the representative sample of corn submitted by the sealer. The moisture content of the representative sample will be reported in whole numbers. In the event that the moisture content is 20% or less and no adverse report is noted on the Moisture Test Form under the heading of "Special remarks" which states that the corn is ineligible as collateral for a loan, steps should be taken to complete the final determination as to the eligibility of the producer and his storage structure for a loan. This will require a verification of the preliminary determination as to whether the producer has received or will receive an agricultural conservation payment with respect to participation in the 1937 Agricultural Conservation Program. This determination for eligibility can be made as follows:

If a person is an owner or operator with respect to only one farm in the county, such person's eligibility for a corn loan on such farm, insofar as the 1937 Agricultural Conservation Program is concerned, can be determined as follows:

1. If a properly prepared application for payment has been completed for such person and the amount entered on NCR-116, Section VII, item 13 is more than zero, or
2. If a properly prepared application for payment has not been completed for such person and on a properly prepared NCR-114 for such farm, Section III, item 1(g) is less than Section IV, item 6(b) and Section III, item 16(g) is less than Section IV, item 4(b).

If a person is an owner or operator with respect to more than one farm in the county, such person's eligibility for a corn loan on a farm in such county, insofar as the 1937 Agricultural Conservation Program is concerned, can be determined as follows:

1. If a properly prepared application for payment has been completed for such person and the amount entered on NCR-117B, Section XI, item 10 is more than zero, and on a properly prepared NCR-114 for the farm for which the application for a corn loan is made, Section III, item 1(g) is less than Section IV, item 6(b), and Section III, item 16(g) is less than Section IV, item 4(b).
2. If a properly prepared application for payment has not been completed for such person and form NCR-114 has been properly prepared for each farm owned or operated for such person in such county, and on a properly prepared NCR-114 for the farm for which application for a corn loan is made, Section III,

item 1(g) is less than Section IV, item 6(b), and Section III, item 16(g) is less than Section IV, item 4(b), and if, as a result of the following operations, item (2) is less than item (4) and item (6) is less than item (8).

- (1) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section III, item 1(g) by Section IV, item 3(c) of such NCR-114;
- (2) Add the results obtained under item (1);
- (3) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section IV, item 6(b) by Section IV, item 3(c) of such NCR-114;
- (4) Add the results obtained under item (3);
- (5) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section III, item 16(g) by Section IV, item 3(c) of such NCR-114;
- (6) Add the results obtained under item (5);
- (7) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section IV, item 4(b) by Section IV, item 3(c) of such NCR-114;
- (8) Add the results obtained under item (7).

If a person is an owner or operator with respect to only one farm in the county, such person's eligibility for a corn loan on such farm, insofar as the 1937 Agricultural Conservation Program is concerned, can be determined as follows:

1. If a properly prepared application for payment has been completed for such person and the amount entered on NCR-116, Section VII, item 13 is more than zero, or
2. If a properly prepared application for payment has not been completed for such person and on a properly prepared NCR-114 for such farm, Section III, item 1(g) is less than Section IV, item 6(b) and Section III, item 16(g) is less than Section IV, item 4(b).

If a person is an owner or operator with respect to more than one farm in the county, such person's eligibility for a corn loan on a farm in such county, insofar as the 1937 Agricultural Conservation Program is concerned, can be determined as follows:

1. If a properly prepared application for payment has been completed for such person and the amount entered on NCR-117B, Section XI, item 10 is more than zero, and on a properly prepared NCR-114 for the farm for which the application for a corn loan is made, Section III, item 1(g) is less than Section IV, item 6(b), and Section III, item 16(g) is less than Section IV, item 4(b).
2. If a properly prepared application for payment has not been completed for such person and form NCR-114 has been properly prepared for each farm owned or operated for such person in

such county, and on a properly prepared NCR-114 for the farm for which application for a corn loan is made, Section III, item 1(g) is less than Section IV, item 6(b), and Section III, item 16(g) is less than Section IV, item 4(b), and if, as a result of the following operations, item (2) is less than item (4) and item (6) is less than item (8).

- (1) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section III, item 1(g) by Section IV, item 3(c) of such NCR-114;
- (2) Add the results obtained under item (1);
- (3) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section IV, item 6(b) by Section IV, item 3(c) of such NCR-114;
- (4) Add the results obtained under item (3);
- (5) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section III, item 16(g) by Section IV, item 3(c) of such NCR-114;
- (6) Add the results obtained under item (5);
- (7) For each NCR-114 covering a farm owned or operated by such person in such county, multiply Section IV, item 4(b) by Section IV, item 3(c) of such NCR-114;
- (8) Add the results obtained under item (7).

If there is any doubt whatsoever whether the applicant will be eligible to receive a payment under the 1938 Agricultural Conservation Program in such county with respect to the farm for which application for a corn loan is made, such applicant will not be considered eligible for a corn loan until the county committee is definitely advised in writing by the State committee that such applicant is eligible to receive a payment under the 1937 Agricultural Conservation Program in such county with respect to the farm for which application for a corn loan is made.

The next step in determining the eligibility of the producer for a corn loan is to examine carefully the Sealer's Work Sheet. In examining this, reference should be made to 1937-38 CCC Corn Form 2, Instructions for Preparation of Corn Sealer's Work Sheet. It is difficult to add any additional instructions not reported in Corn Form 2 to be followed in determining the eligibility of the storage structure containing the corn; however, it should be remembered that because a Sealer's Work Sheet is completed does not indicate that the crib is suitable or proper for storing corn as collateral to a Federal corn loan. Authorized State sealers are required to seal every crib or structure meeting State law requirements but this does not mean that it meets the requirements for a Federal corn loan, hence it is very important that all points in the Sealer's Work Sheet be checked against the instructions for its preparation and the other information contained in these instructions. Reference should also be made to Paragraph 1(c) of Corn Form 1 before a final decision as to the eligibility of a crib is made.

The final step in checking eligibility for a loan relates to the corn itself. The corn must be of the 1937 crop and must have been produced by the applicant (or for him by a producer who would also be eligible for a Federal corn loan if he were making application for a loan), as a landowner, landlord, farm operator, or tenant, in a county designated in

paragraph 2 of Corn Form No. 1. In the event the applicant for a loan has acquired the corn on which he expects a corn loan, it will be necessary to determine the eligibility of the producer who produced the corn as well as that of the producer who acquired it. See paragraph 1(b), Corn Form 1, and paragraph 3(b), Corn Form A.

After these determinations have been made and it is found that the producer is eligible for a Federal corn loan, the next step is to compute the amount of the loan. In doing this, a careful check should be made of the computations of the sealer as reported in the Sealer's Work Sheet, Corn Form K. After it is determined that the quantity of corn to be reported in the Warehouse Certificate is properly stated in item 24 of Corn Form K, the correction for moisture content should be made. (This is to be made in accordance with paragraph 10 of 1937-38 CCC Corn Form 1. The correction will be computed on a percentage basis, that is, a 2% deduction in quantity from the quantity of corn reported in the warehouse certificate, as reported in item 24 of Corn Form K, for each percent of moisture over 14%. (No corn is to be eligible which by moisture test of a representative sample is reported by the State Agricultural Conservation office to contain more than 20% moisture.) Thus, if the State Agricultural Conservation Committee reports on Corn Form H that the sample tested showed 19% moisture, a 10% deduction in volume from the quantity of corn reported in the Warehouse Certificate is to be made in determining the quantity of corn on which the loan is to be based.

After the quantity of corn has been computed on which the producer's loan is to be based, the producer should be notified of his eligibility and the amount of the loan for which he is eligible. He should also be advised to come to the office of the County Committee to complete the loan documents.

Liens

Prior to the preparation of the Note and Loan Agreement, it is a desirable practice for the county committee to check the records of the county as to existing liens in force with respect to the corn. In those places where the county committee office is located in the county seat town, this will be an easy matter. Some person connected with the county committee office can visit the office (usually located in the court house) having the records as to liens. These records are so maintained that once the method of keeping them has been explained to the representative of the county office by the person in charge, he will have no difficulty in quickly ascertaining the existence of any liens of record with respect to corn offered as collateral to a loan. It will not be necessary to have an abstract prepared of any outstanding liens, but the person making the investigation should make a memorandum of them so that steps may be taken to secure waivers of the lienholders. Paragraph 12 of the Loan Agreement provides for the listing of lienholders and their waivers. Paragraph 11 of Corn Form 1 gives this duty to the producer, but past experience indicates that it can probably be handled very conveniently by the county agricultural conservation office, and a real service will be rendered the producer if this is done.

Consent of Storage

Another service which the county agricultural conservation office can conveniently render is that of securing the consent of storage required

by paragraph 12 of Corn Form 1 and Paragraph 14 of Corn Form A. In many instances this may be done at the same time that the landlord's waiver as a lienholder is secured, since the landlord often has a lien on the corn of the producer. In the event the landlord is represented by an agent, or if a person acting in a fiduciary capacity is handling the interests of the landlord, reference should be made for the execution of documents, such as the consent of storage and waiver of lien, to ACP-16, Instructions on Signatures and Authorizations.

Completion of Loan Agreement

The Advice of Loan is to be prepared by the lending agency (local bank, etc.) purchasing the producer's note. The Corn Producer's Note (which is a part of Corn Form A) is to be prepared in the county office. It is not necessary that the producer sign the note in the county office but it is important that the county office secure the name of the bank to whom the producer plans to sell the note, if the loan is not to be a direct loan. As is indicated on Corn Form 1, each loan agreement is to be assigned a serial number which is to be used in connection with the State and county code number. These numbers are also to be listed on the note.

Paragraph 1 of the Loan Agreement requires (1) the name of the State issuing the Warehouse Certificate(s), (2) the certificate number(s), (3) the number of bushels of corn reported in the certificate(s), (4) the percentage of moisture of the representative sample(s), (5) the moisture deduction, (6) the number of bushels used as a basis for computing the loan, and (7) the amount of the loan. The amount of the loan in dollars must conform to the amount listed in the note. Paragraph 3(d) requires a statement as to tenancy. Paragraph 11 provides for the signatures and witnesses to the signatures to the loan agreement. Instructions on signatures and authorizations are to be made in accordance with ACP-16. Paragraph 12 refers to liens and waivers of liens (supra). Paragraph 13 is the sealer's or inspector's certification and must be executed by the sealer or inspector who issued the Warehouse Certificate(s). Paragraph 14 refers to consent for storage (supra). Paragraph 15 refers to corn represented by a warehouse certificate listed in paragraph 1, which was produced by some other person than the producer applying for the loan. Paragraph 16 provides for the certification by a member of the County Agricultural Conservation Committee for and on behalf of the County Agricultural Conservation Committee. After the preparation of the Note and Loan Agreement, it should be carefully checked to be sure it is complete and proper. If the warehouse certificate(s) representing the corn is (are) available, it is a good practice to check this (these) also in the county office.

Insurance

Insurance must be obtained by the producer on all corn offered as collateral to a Federal corn loan in accordance with paragraph 13 of Corn Form 1. It is important that no member of the county committee serve as an insurance agent or solicit insurance business for any particular company issuing the type of insurance required under this provision.

Direct Loans

In the event the producer desires to transmit his note and loan agreement directly to the Commodity Credit Corporation, as is provided for in paragraph 15 of Corn Form 1, it will be necessary for 1937-38 CCC Corn Form B to accompany the Note and Loan Agreement, Warehouse Certificate duly stamped by county official showing it has been filed or recorded according to paragraph 5 of Corn Form 1, and the Insurance Certificate, W.A.B., CCC 38. Corn Form B will be prepared in the office of the County Committee and requires the certification of the County Committee.

Record of Certifications

A copy of every Loan Agreement certified to by the County Agricultural Conservation Committee will be kept in its files. A summary record of these documents will be maintained on NCR-CL-2, "County Committee Report of Corn Loans Certified." This report will be used for preparing "Notices of Maturity" and for other purposes to be listed in instructions to be issued at a later date.